Ontario. Commissions and committees of inquiry

National Farmers Union

Submission

to the

Ontario Inquiry into Egg Marketing

Presented at

Toronto

January 7, 1972

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1. We welcome this opportunity of appearing before your Inquiry and presenting views on certain items in your terms of reference.

2. As in all other aspects of life in our society, the farmer in his farming practices has been dominated by the forces of Change. The pressures caused by technological advancement have revolutionized food production by greatly expanding the farmer's potential capacity to produce.

3. The revolution in food production brought about by the substitution of technological inputs for labour, has altered the concept of producing a growing number of food items from one of farm production to factory production.

4. The traditional concept of the farmer's inalienable right to produce farm products of his own choosing and marketing them as he found most advantageous in a local "free" market of seller and buyer, has undergone a radical departure from historical patterns. Coupled with rapid modern transportation of products between production areas of great distance, rapid communication of information and the growing monolithic buying power of retail food chain stores, a farmer no longer can produce in isolation from the influences of production elsewhere.

5. Supply management for price stability has, then, become a priority of growing concern among farmers, forced upon them as a result of the combined

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5. Supply management for price stability has, then, become a priority of growing concern among farmers, forced upon them as a result of the combined

influences of changes in technology, transportation, communication and the concentrated production and market power of giant corporations.

6. Ontario farmers are not strangers to marketing boards. The proposed Egg and Fowl Producers' Marketing Board is but the latest attempt to organize and introduce quotas as partial supply management and hopefully some degree of price stability to farmers engaged in growing these products.

7. The National Farmers Union supports the principles of orderly marketing for farm products. We believe that the organization of a new system of marketing which will embody fundamental changes through regulation in traditional production and marketing methods designed to protect the family farm should have the widest possible support and participation of producers of the product to be regulated.

8. We advance the following proposals and recommendations for your consideration:

1. The Right to Vote: The proposed marketing plan defines a "producer" as "any person owning or operating facilities for the production of eggs in the Province of Ontario."

   The Egg Board also has indicated that all producers with over 500 hens must have a quota and those with under 500 hens will be allocated a quota if they apply. The Board further states that no quotas will be issued to producers with under 500 hens after a specified time for application. They do not specify the time limit in question In view of the fact that the proposed board, if established, would have potential production control over all egg producers, we recommend producers who marketed eggs from 50 hens or more be entitled to vote on the proposed egg and fowl board.

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2. a) Quotas: The Board stipulation that all producers with less than 500 hens will be exempted from quota appears on the surface to be reasonable. According to the Board's own statistics as of April 15, this would apply to 43.4% of all registered producers as of that date, but would apply only to 2.5% of total hens.

b) Transfer of Quota Base: The Egg B oard proposes free transfer of quotas (with Board approval) between producers. The only apparent function of the Board in scrutinizing transfers at all would be to assure that the party accruing a quota from another producer did not exceed the maximum quota base of 2 million dozen recommended in the proposed plan.

We object to the principle of a negotiable quota. In this respect the proposed plan is at variance with egg marketing plans in other provinces.

The Alberta Egg and Fowl Marketing Board (1969),for example, specifically regulates against transferrable quotas. Its regulations contain the following sections:

"8. (11) Quotas shall remain the property of the Board.

(12) No transfer of quota may be made without the prior written permission of the Board and this transfer shall not be made by the individuals concerned, but shall be made only by the Board.

(13) No transfer of quota will normally be permitted unless the transfer is accompanied by a transfer of title to the authorized premises or a bona fide rental or lease agreement.

(14) No money may be paid or received in consideration of such transfer or quota."

2. a) Quotas: The Board stipulation that all producers with less than 500 hens will be exempted from quota appears on the surface to be reasonable. According to the Board's own statistics as of April 15, this would apply to 33.4% of all registered producers as of that date, but would apply only to 4.5% of total hens.

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Similarly, egg quotas are non-negotiable in the provinces of Manitoba or British Columbia.

Much of the promotion for negotiable quotas has come from large producers who would inherit a windfall if quotas are established and took on a value of $3 per bird as has been suggested.

For example, in such an instance, a producer with a quota of 100,000 hens would have a potential worth on quota value alone of $300,000.

We recommend this Commission investigate the underlying motives of the promoters of negotiable quotas.

It is our view that access to a share of the market is a right that a farmer has acquired without cost and therefore must have value to him only so long as he continues to exercise his right to produce. Access to a market within the framework of an orderly marketing system should continue as a right, not a privilege.

Secondly, by attaching a price to a quota, a producer who seeks to enter production or expand his production is required to buy a share of the market if it is not otherwise available from the board. This, in turn, becomes a built-in capital cost and increases his potential cost of production, making him less competitive than those producers already established. It is in this respect a potential block to entry of new producers.

c) Maximum Quota Base: We regard the maximum quota base of 2 million dozen eggs or 100,000 birds as too high.

This is, we believe, a custom-made convenience for large, integrated operators.

In this respect, it is of interest that in the Report of the Special Committee of Farm Income in Ontario of January, 1969, the Committee observes as follows:

> "The industry should move as rapidly as possible to viable units of from 5000 to 15000 birds. In view of the substantial problems which can be created by very large, specialized poultry units, excessively large units should be discouraged. The Committee feels that egg production units do not have to be excessively large in order to earn a reasonable rate of return on resources."

(Page 119 "The Challenge of Abundance")

With approximately 11,500,000 hens registered by the Board on April 15, 1971, it is a simple matter to estimate that the Board's own upper limit could accommodate total egg production through 115 quotas of 100,000 hens. With the present provisions for negotiable quotas, this becomes a physical possibility.

The Manitoba Egg Producers Marketing Plan sets an upper limit of 25,000 laying hens after August 1, 1971, the date of its coming into operation. This is, in our view, a more commendable upper limit although we are prepared to recommend an absolute upper limit of 30,000 laying hens.

Corporate integrators, currently producing a volume of eggs from larger flocks than the 30,000 limit should be progressively divested of quotas with a view toward having them eventually removed from egg production entirely.

3. Structure of the Board: One of the basic weaknesses of marketing boards has been their inability to effectively negotiate prices based on production costs for the product with the trade on behalf of producers. To this extent, their function has been primarily limited to a quota supply management role and removing certain inefficiencies in marketing practices.

The ability of marketing boards to be totally effective in a negotiating role has been opposed by governments and the private trade alike and has in no small way been hampered by lack of control over imports and interprovincial products movement.

The matter of controlling interprovincial movement and imports will be resolved in some degree by the passage of national marketing legislation which will enable supply management on a much broader basis. We agree in a total approach to interprovincial movement of farm products. However, certain changes to Bill C-176 are necessary to accomplish what the farmer needs and wants.

It is a matter of fact that the proposed national egg marketing agency will consist of persons appointed by the federal minister of agriculture. This will permit organized farmers such as our organization represents, the opportunity to directly make representation on behalf of producers.

Relating a similar situation to the Ontario Board, we question the value to producers of electing their own representatives to a marketing board of this kind.

The Board would best be appointed by the Minister of Agriculture as a Crown agency, particularly in view of the strong regulatory position held over its activities in any event by the Farm Products Marketing Board, rendering it impotent in effectively negotiating prices and creating only the illusion of producer control.

If the Board were thus structured, it would place it in proper perspective to enable the NFU to engage in direct negotiations over the terms and conditions of trade for the product.

The presently proposed price setting procedure of the Board clearly does not visualize a negotiating role, in light of the fact that the Price Advisory Committee will be dominated by representatives of the trade. It is, in truth, a ludicrous procedure, to say the least.

A feature of the British Columbia Egg Marketing Plan Regulations which we believe worthy of consideration specifies:

> "3:04. No member of the Board shall hold office in any group, association or organization pertaining to the poultry industry."

This is a provision which, we believe, recommends itself, as it precludes the domination of the Board by vested interest groups.

4. Service Fee: The proposed service fee of 1/3¢ per dozen is not, in our view, out of line. We wish to make only three stipulations relative to the amount of the service fee. They are:

i) That the service fee be high enough to carry the costs of the Board.

ii) That service fees on over-quota deliveries be great enough to finance surplus disposal.

iii) That funds accumulated from service fees be retained exclusively for use in operations of the Board.

Vertical Integration

9. The development of vertical integration in the food production industry has long been a concern of our organization.

10. We suspect the growth and development of vertical integration in an increasing number of farm products is proceeding somewhat more rapidly than becomes immediately apparent. It is often not until an integrated operation becomes established that its effects become apparent. It is often then too late to do very much about it.

11. Aside from its numerous implications to the security and stability of family farming in Canada, perhaps the most disturbing aspect of integrated food production, whether direct or indirect, is the indifference of the general public and the encouragement it receives from governments and their employees.

Addressing the 21st annual Alberta Poultry Industry Conference in Calgary on November 17, 1971, Mr. A. D. Davey, head of the Canada Department of Agriculture Poultry Division, is reported by the Calgary Albertan of November 18 as saying that "further involvement by large corporations in the production and marketing of Canada's farm products is inevitable."

12. He added that the trend is not all wrong and that "substantial progress in this industry during the past decade can be attributed to the involvement of the capital, expertise and organization of these large corporations. Without this development, it is not likely that we would have the efficient industry we have today."

13. The report continues that while Mr. Davey appreciates that individual producers will and should remain in the industry, further development of the same sort is needed. He noted that the poultry meat and egg sectors of food production are very susceptible to the inroads of industrialization.

14. Why, we ask, is further industrial development needed in the poultry and egg industry? Such a statement flies in the teeth of reason when one considers the disastrous price fluctuations and instability that has characterized the egg and broiler industry. Farmers have been the prime victims. While Mr. Davey appears to sound a warning to producers, he adds his blessing to integration. He cannot, as a federal servant, serve two conflicting interests, in our view. The interests he serves, we contend, are compatible with the cheap food policy of the federal government and its economic determinism approach. This, we believe, can lead only to eventual monopoly control and higher food costs in the long run.

15. In March, 1970, Mrs. Mildred Jensen, President, Alberta Commercial Egg Producers Association, wrote her members in a circular letter in part

as follows:

> "....a very serious situation has developed at the wholesale marketing level and can if it continues break down our entire price structure. Cal-Ed Poultry Farm Eggs Ltd., who operate in both Edmonton and Calgary, have started a new method of purchasing producers' eggs. This is the firm who recently took over the grading facilities of the Alberta Poultry Marketers. Under their new scheme, they will no longer purchase ungraded eggs from producers at Board prices. They now offer to custom grade the eggs and charge the producer for this service. The charge is based on the size of the shipment and varies from 8 cents per dozen to 13 cents per dozen. They will then purchase the graded product from the producer, if the producer wishes to sell it to them. The purchase price is based on the top wholesale market price with the custom grading and packaging cost being charged back to the producer."

16. Cal-Ed Poultry Farm Eggs Ltd. is a subsidiary of Ogilvie Flour Mills Ltd., which, in turn, is owned by Labatts Breweries of London, Ontario. This corporation now enjoys a near monopoly in the Alberta egg handling business. This Commission and the proposed Board should be very mindful of the tremendous influence such corporations can exert in forcing small producers out of business through the application of technicalities such as setting their own handling tariffs.

17. The Western Producer (Saskatoon) of March 6, 1969, reports as follows:

> "Western Canada's newest egg grading station, at Man-Ont Poultry Farm Eggs in Winnipeg, was officially opened February 7 by Premier Walter Weir.
>
> "Described as the largest and most modern in Canada, the new facilities are capable of processing an estimated 4,300,000 eggs each week.
>
> "Highlighted by modern egg cleaning assemblies, electronic blood detectors and highly sensitive egg handling systems, the new facilities represent a 100 per cent increase in Man-Ont's capacity.
>
> "Established in 1963, Man-Ont was purchased by the Ogilvie Flour Mills Company Limited in 1968 and became a part of Ogilvie's Food Service Division.
>
> "Working at full capacity, Man-Ont could handle 75 per cent of all egg production in Manitoba, officials said. Although the Ogilvie Division originally concentrated its marketing efforts in Manitoba,

it now serves a market area that extends from Quebec to British Columbia.

"Finished product is delivered to customers by a fleet of 13 trucks serving Man-Ont's own distribution warehouses in Calgary, Edmonton, Winnipeg, the Lakehead, Sault Ste. Marie and Sudbury."

18. Not publicly accessible are the answers to the questions that this item prompts respecting the number of producers tied into feed, credit and delivery contracts to Ogilvies. Consequently, such corporations are in a position to exert greater influence on the economic future of many producers than may marketing boards. The monolithic nature of giants such as Ogilvies is also marked by their ability to shun public exposure.

19. The matter of large U.S. corporations poised to take over Ontario agriculture was voiced by the Agriculture Minister, William Stewart, to the Ontario Legislature.

20. The Western Producer of May 23, 1968, reports Mr. Stewart as follows:

"He said: 'We are concerned about reports, particularly from south of the border, which would seem to indicate that vast amounts of corporate capital are either being funnelled into agriculture or stand ready to be invested.

" 'Large corporations, many of them engaged in the manufacture and sale of goods and services used in agriculture, or depending on agriculture for their raw materials, have an eye on the industry as an investment.'

"For some of these companies, securing control of the industry would guarantee a market for their feeds, fertilizers, or other products, while for others, like canners, it would insure the source of raw material for their processes, Mr. Stewart said.

" 'But there is another group with designs on modern agriculture; those who see it as an industry which requires far less manual labor than some other industries, and as such promises a fair return on invested capital.'

"The increasing interest of large corporations will spell the end to the tradition that farming is a way of life as much as a way of making a living.

" 'If agriculture as an industry is going to survive and flourish, we as farm people must be prepared to submerge some of our traditional thinking and replace it with disciplines of business,' he said.

"The family farm must begin operating as a corporate family business. 'We believe in the family farm, operated efficiently as a family business, and are convinced that these family-owned and operated businesses, will insure a sound industry for the future.' "

21. Does Mr. Stewart suggest the growth of corporate take-over should be halted? No, he does not. Instead, he only chastises farmers to become more businesslike and efficient. It will be but a short matter of time to determine whether Mr. Stewart's concern will have increased in four years if the report of this Inquiry can reveal evidence of the trends to which Mr. Stewart referred in 1968. There is, up to this point in time, no government in Canada that has passed legislation protecting farm families against the expanding intrusion of industrial corporations into the area of food production.

22. Nor should the purchasing power of the large retail chains escape the scrutiny of this Inquiry. The Committee on Farm Income in Ontario recommended that the then proposed Egg Marketing Board "undertake studies to analyze the bargaining position and buying practices of retail food chains in order to take a stronger role in egg pricing and distribution in the province." (Page 119, "The Challenge of Abundance")

23. This past year the prices for eggs in Canada were the lowest in a decade. This information was reported to the Federal Provincial Agriculture Outlook Conference held in Ottawa last November by Mr. A. D. Davey, Director of the Canada Department of Agriculture Poultry Division.

24. The number of laying hens in September, 1971, was 3.3% less than in 1970, with total production for the year up by less than 1%. Yet it was reported to the

same Outlook Conference by Mr. J. Ross Cameron* that:

> "Evidence exists today to say that Canadian adjustment to over-production has been partially thwarted by the U.S. egg situation and is the main reason for the slow improvement in egg prices during the past month."

25. Mr. Cameron undoubtedly refers to the 3,281,929 dozen shell eggs imported into Canada, principally from the U.S.A., in the first nine months of 1971.

26. Who imported the eggs? Why were they needed? Who profited? Were the imports subsidized? Did this action of importation constitute dumping?

27. We submit if governments were genuinely interested in serving the interests of farmers, the answers to these questions would be readily available and perhaps become the subject of public discussion and action. It is a prime example of why farmers need to become well organized.

28. The basic question is one of what kind of rural society and food production industry are we to have in Canada? Expression of concern over the vast inroads already evident in food production by corporate integrators is not enough.

29. Legislation to restrict the growth of integration and monopoly control is the only alternative. The farmer cannot financially survive against corporations determined to dominate production and control the market, no matter how businesslike he may become.

30. Damning integration with faint praise on the part of politicians and bureaucrats without taking appropriate legislative action demonstrates only the absence of a basic philosophical concern for the future of Canada's farming industry. Food production is still one of the basic industries primarily Canadian owned and controlled.

31. We believe it important that it so remain.

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*J. Ross Cameron, Assistant Director, Animal Industry Branch, Manitoba Department of Agriculture.

32. In summary, the National Farmers Union:

1) Supports the principles of orderly marketing for all farm products.

2) Believes in the family farm structure as the essential requirement of a strong rural community in Canada and the keystone of Canadian food production. It must so remain.

3) Recommends that producers who have marketed eggs from 50 hens or more be entitled to vote on the proposed egg and fowl board.

4) Supports the quota exemption of producers with less than 500 hens.

5) Opposes the principle of a negotiable quota for eggs and recommends that the motives of promoters of negotiable quotas be investigated.

6) Recommends a maximum quota of 30,000 laying hens per producer.

7) Recommends corporate integrators be excluded from production of eggs and existing integrated operators entitled to egg quotas under existing proposals be divested of quota rights.

8) Recommends the Board be structured as a crown agency.

9) Recommends that no member of the Board hold office in any group, association or organization pertaining to the poultry industry.

10) Supports the proposed level of the service fee with the proviso that such fees carry the costs of Board operations, fees on over-quota deliveries are great enough to finance surplus disposal and funds from all fees be retained exclusively for Board operations.

11) Requests this Commission recommend in its report the introduction of legislation restricting the growth of integration and monopoly control in food production.

All of which is respectfully submitted by

NATIONAL FARMERS UNION.